

DELMAR SCHOOL DISTRICT
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING
AGREED-UPON PROCEDURES

BELFINT

LYONS &

SHUMAN

CERTIFIED PUBLIC ACCOUNTANTS



CERTIFIED
PUBLIC
ACCOUNTANTS
& CONSULTANTS

1011 CENTRE ROAD
SUITE 310
WILMINGTON,
DE 19805
T: 302.225.0600
F: 302.225.0625
WWW.BELFINT.COM

Independent Accountants' Report on Applying Agreed-Upon Procedures

The Honorable Valerie A. Woodruff
Secretary, Department of Education
Townsend Building, Suite 2
401 Federal Street
Dover, DE 19903-1402

David Ring, Ed. D.
Superintendent
Delmar School District
200 North 8th Street
Delmar, DE 19940

Dear Secretary Woodruff and Dr. Ring:

We have performed the procedures enumerated below, which were agreed to by the Department of Education (the DOE) and Delmar School District (the District) solely to assist you, the specified parties, in evaluating the compliance and effectiveness of the District's internal control over compliance with DE Code Chapters 13 and 17, Senate Bill 385 and DE Admin Code Section 525. Procedures were performed for student accounting and enrollment as of September 30, 2005. In addition, procedures were performed for authorized positions and occupational-vocational unit Division II funding for fiscal year ended June 30, 2005. Management is responsible for the District's compliance with the requirements related to the above areas.

This agreed-upon procedures attestation engagement was performed in accordance with Government Auditing Standards (2003), issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

STUDENT ENROLLMENT

Agreed-Upon Procedure Number 1: Determine if the District's policies and procedures for preparing, reviewing and reporting the September 30 student count are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls includes written policies and procedures to ensure that each control objective is met.

Finding - continued: Based on the obtainment of the District's written policies and procedures we were able to determine that the policies and procedures set forth by the District are insufficient. Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines.

While performing the other agreed-upon procedures we determined that the policies they have, although not written are being adhered to. As described later in this report, an error did occur when reporting the September 30 unit count figures from the District to the State. It was our determination that this error could have been prevented with a more thorough review of the unit count figures before they had been reported.

Recommendation: It is our determination that the policy would be more effective if it were revised to include the following:

- References to pertinent rules and regulations as stipulated by the DOE or DE Code
- Policies and procedures in regard to gathering and maintaining documentation that supports attendance and reported enrollment figures (medical excuses, transfer/entry/withdrawal forms, homebound documentation, documentation relating to children placed in alternative education settings, re-engineered students, etc.)
- Retention policy of records supporting the September 30 unit count
- Attendance-taking process in which it should include E-School software procedures

Auditee Response: The District per the above recommendation will include the following regarding procedural issues:

- DOE Code and DOE regulatory practices to ensure they are reviewed and followed accordingly
- E-School procedures to include personnel that work directly with attendance and enrollment figures

Agreed-Upon Procedure Number 2: Determine if the District properly reported enrollment figures to the DOE. Calculate the dollar impact of disallowed students, if applicable.

Finding: The Delaware Department of Education's A Summary of Delaware Code and Department of Education Regulations for Student Accounting for the September 30 Enrollment and Unit Computation states:

"... each school shall maintain September enrollment records in a manner that will allow for efficient enrollment audits."

During the engagement, the following conditions were found:

| School | Condition |
|--------------------|--|
| Delmar Senior High | One regular education 12th grade student could not be reconciled to the school's records. Our review of the count showed that 103 regular education students should have been reported whereas 104 were reported by the District. The District provided support for 1,070 total students, not 1,071 as reported. It is our determination this was a result of human error. |

Finding – continued: The disallowance of one student did not reduce the number of regular education units, resulting in no loss of funding.

Recommendation: It is our recommendation that the District thoroughly review their unit count figures before reporting them to the DOE.

Auditee Response: The District will ensure a team approach is in place for next fiscal year. This would include personnel that work directly with E-School, attendance and enrollment figures to ensure enrollment figures are reported accurately to the DOE.

Agreed-Upon Procedure Number 3: Select ten percent (10%) or a minimum of five “Individualized Education Program” (IEP) files at each school to verify that each file contains the required documentation in accordance with the DOE’s Administrative Manual for Special Education Services and calculate the dollar impact of disallowed students, if applicable.

Finding: We found that all files selected were current and contained the required documentation in accordance with the DOE’s Administrative Manual.

Agreed-Upon Procedure Number 4: Select ten percent (10%) or a minimum of five students enrolled in the Cooperative Education and Diversified Educational Programs and confirm that the students’ files contain the required documentation in accordance with the DOE’s Administrative Directives and calculate the dollar impact of disallowed students, if applicable.

Finding: The District in their 2005 count reported no students in either their Cooperative Education or Diversified Educational Programs.

AUTHORIZED POSITIONS

Agreed-Upon Procedure Numbers 1 and 2:

- Determine if the District’s control procedures for monitoring, tracking and reconciling the number of employees are adequate.
- Determine if the District’s control procedures for monitoring and tracking salaries charged to the State’s general fund are adequate.

Finding: The State of Delaware Budget and Accounting Policy Manual states that department or agency heads are responsible for establishing and maintaining an effective system of internal control. The manual goes on to further state that a well-designed system of controls include written policies and procedures to ensure that each control objective is met.

Finding – continued: The District provided us with a one-page written policy on salary administration. It is our determination that the policy was not sufficient. Insufficient written policies and procedures create a greater risk of noncompliance with DE Code and the DOE regulations and guidelines.

Recommendation: It is our determination that the policy would be more effective if it were revised to include the following:

- References to regulations and guidelines as stipulated by the DOE
- References to pertinent sections of DE Code
- Detailed procedures in reconciling actual staff to Division I units
- A management review process of staff listings and reconciliations including a time frame in which this is to be completed.

Auditee Response: The District will re-write the current policy on salary administration to include the above recommendations.

Agreed-Upon Procedure Number 3: Compare the number of paid positions by category to the number of authorized positions per 14 DE Code, Chapters 13 and 17.

Finding: When comparing the actual paid number of positions by category to the number of authorized positions as determined by the State it was determined that the District was operating within its number of authorized positions by category.

Agreed-Upon Procedure Number 4: Recalculate the annual salary of the following selected positions to determine if employees were paid in accordance with 14 DE Code, Chapter 13.

| | |
|-----------------------------|------|
| Superintendents = | 100% |
| Assistant Superintendents = | 100% |
| Principals = | 100% |
| Directors = | 100% |
| Classroom Teachers = | 10% |

Finding: All employees selected, as detailed above, were found to be correctly paid in accordance with 14 DE Code, Chapter 13 which specifies salary schedules.

OCCUPATIONAL-VOCATIONAL UNIT DIVISION II FUNDS

Agreed-Upon Procedure Number 1: Obtain confirmation from the DOE if the District was granted a waiver of the 90% requirement to allocate the occupational-vocational unit Division II funding to each school that generated the funding.

Finding: The District chose not to request a waiver from the DOE.

Agreed-Upon Procedure Number 2: Review expenditure documents to determine if FY04 and FY05 occupational-vocational funds expended from July 1, 2004 through June 30, 2005 were (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in the Delaware Financial Management System (DFMS).

Finding: All expenditures relating to FY04 and FY05 occupational-vocational funding were determined to be (1) expended for State-approved occupational-vocational courses and programs within the District and (2) supported by adequate documentation and (3) properly coded in DFMS.

Agreed Upon Procedure Number 3: Review financial records to determine if FY04 and FY05 occupational-vocational division funds were properly allocated to and spent by the schools within the District that generated the funding.

Finding: Chapter 14 of DE Code Subsection 1706 entitled "Determination of Amount of Division II Appropriation" states that Division II funds (occupational-vocational funds) with the exception of Division II - energy funds, shall be allocated to each school that generates these funds and expended to support state-approved occupational-vocational courses and programs at that school. For the above fiscal years the District was not tracking and monitoring funds spent by schools but rather as one combined sum.

The District explained that in the spring of 2005 the Office of Auditor of Accounts visited the District and suggested that they begin tracking occupational-division funds and expenditures by school. The District has since complied and has begun tracking and monitoring these funds by school.

However, for FY04 and FY05 occupational-vocational funds were misappropriated as follows:

| | Fiscal Year 2004 Occupational-Vocational Funds Authorized | Fiscal Year 2004 Occupational-Vocational Funds Expended During Fiscal Years 2004 and 2005 |
|-----------------|---|--|
| High School | \$ 40,068 | \$ 39,905 |
| Middle School | 24,873 | 20,327 |
| District Office | - | 4,709 |
| | <u>\$ 64,941</u> | <u>\$ 64,941</u> |
| | | |
| | Fiscal Year 2005 Occupational-Vocational Funds Authorized | Fiscal Year 2005 Occupational-Vocational Funds Expended During Fiscal Year 2005 |
| High School | \$ 41,005 | \$ 21,704 |
| Middle School | 35,549 | 9,718 |
| District Office | - | 500 |
| | <u>\$ 76,554</u> | <u>\$ 31,922</u> |

Recommendation: It is our recommendation that the District continue to track occupational-vocational funds by the school in which the funds were authorized to avoid any future misappropriation. In addition, it is our recommendation that the District repay the schools the amount that should have been made available to them.

Auditee Response: As recommended above the District will continue to track occupational-vocational funds by the school in which generated the funding. In addition, the District will carefully and expeditiously review all Division II funds to avoid any further misappropriation.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the DOE and the District and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited. This report, as required by statute, was provided to the Office of Auditor of Accounts, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance.

Bellini, Lyons & Shuman, P.A.

December 16, 2005

Wilmington, Delaware